

PHP99

HOW TO DEAL WITH DECISION UNCERTAINTY? THE ITALIAN EXPERIENCE WITH MANAGED ENTRY AGREEMENTS

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OBJECTIVES: To ensure rapid access to new potentially beneficial medicines and affordability, payers are adopting innovative approaches called Managed Entry Agreement (MEAs). AIFA has pioneered in the design and implementation of MEAs for the last two decades. The objective is to describe and quantify AIFA's MEAs used to support decision-making in situations of uncertainty. **METHODS:** Data on MEAs were retrieved from the AIFA monitoring registries and databases, and analyzed between August 1st 2011 and December 15th 2011. **RESULTS:** The management of uncertainty of new medicines/therapeutic indications (TI) is performed through arrangements based on access with evidence development i.e. "AIFA monitoring registries" which can be associated with outcome based schemes: "Payment by Results (PbR)" or "Risk-Sharing (RS)". To manage utilization, AIFA set "Restricting Notes for Prescription" (RNP), a tool to restrict NHS reimbursability of medicines for a particular condition/disease, and the "Therapeutic Plans" (TP), which guarantee reimbursement only under specialist monitoring. To achieve management of budget impact, financial-oriented schemes are in place: The "Volume-based Agreements" (VbA), a negotiation of volume of sales between AIFA and manufacturers, and the Cost-sharing (CS), a discount on the initial therapy cycle(s) for all eligible patients. The AIFA Registries include 78 TI: 44 refer to oncology, 15 to rare diseases, 7 to diabetes and the remaining to other therapeutic areas. Among 78 TI, 14 were PbR, 12 CS and 2 RS. For the remaining 50 indications, no scheme for reimbursement was applied, but registries were used to monitor post-marketing safety and effectiveness. Furthermore AIFA implemented 32 RNP and a total of 85 VbA and TP for more than 350 medicines. **CONCLUSIONS:** Unlike other European authorities which base reimbursement decisions on thresholds, AIFA implemented an extensive range of strategies to allow health care access and budget sustainability. These strategies ensure proper utilization of standard therapies and guarantee access to most recent innovative medicines.

HEALTH CARE USE & POLICY STUDIES – Conceptual Papers

PHP100

DEFINING ELEMENTS OF VALUE FOR RARE DISEASE TREATMENTS

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Rare diseases are an important medical and social issue. Although the prevalence of individual diseases is by definition low, in aggregate the number of people affected by a rare disease is considerable. These conditions are characterized by severe, debilitating symptoms that substantially affect life expectancy, physical and social functioning, and quality of life of patients and their families. The question of what constitutes value for rare disease drugs, and how this should be evaluated, is central to the successful continuation of the orphan drug market, and to properly support asset value-based pricing. The objective of this work was to provide preliminary insight into the elements of value which are important when assessing rare disease treatments and how they might be considered together within a value framework. A literature review sought to identify elements of value that are currently considered by European payers when assessing rare disease treatments, those described in patient group surveys, and value elements that have been quantified and described empirically for existing drugs. A generic conceptual value framework was derived based upon the literature review, and this was tested with rare disease experts, patient group representatives, and payers. Multiple criteria are considered in assessing the value of rare diseases treatments, including burden of disease, therapeutic benefit, familial and societal impact, and economic and budgetary implications. Scientific innovation was also considered, but primarily as a supporting rationale for therapeutic benefit. Clinical/social outcome anchored evidence and data uncertainty were seen to be key factors in determining perceived value. In future, payers will need to develop assessment frameworks that better reflect the societal value of treatments for rare diseases. This value is perceived through multiple domains that are not always incorporated in current payer mechanisms. Multi-criteria decision analysis offers a possible construct for incorporating these elements in future.

PHP101

LEGAL IMPACT OF PHARMACEUTICAL PRICING IN THE GERMAN STATUTORY HEALTH INSURANCE SYSTEM

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OBJECTIVES: After the failure of the efficiency frontier approach, Germany introduced rebate negotiations for all new drugs in the Statutory Health Insurance system in 2011. We aim to compare the legal impact of both approaches on constitutional rights. **METHODS:** We apply a legal analysis with regard to the constitutional rights affected by both approaches. **RESULTS:** In the new system of negotiating prices, manufacturers are free to negotiate any rebate. However, if the negotiations do not result in an agreement, an arbitration board determines the rebate. The manufacturer cannot directly influence the board's decision. The board considers both the drug's benefit compared to existing drugs and the European price level as a reference. The board's decision is binding until a new agreement has been negotiated. With the efficiency frontier approach, the Statutory Health Insurance funds set a maximum reimbursable price based on cost-effectiveness analysis with the efficiency frontier. The manufacturer remains free to charge any price, resulting in patients' out-of-pocket payments. In the negotiations system, the manufacturers lose their economic freedom to exercise the right to offer their

product at any price. In the efficiency frontier system, access to drugs is effectively rationed for patients despite their membership in the Statutory Health Insurance. Their constitutional right to life and health is affected. **CONCLUSIONS:** Assuming that there is always a difference between the price a manufacturer wants to charge and the price the Statutory Health Insurance funds want to pay, the legislator needs to decide who has to cover the economic burden. The legislator faces a trade-off between manufacturers' and patients' constitutional rights. In the German constitution, the right to life and health is more important than economic freedom.

PHP102

FROM VALUE TO PRICE: WHAT SHOULD BE THE PATH FOR ORPHAN DRUGS?

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Setting an appropriate price for an innovative orphan drug is increasingly difficult in today's resource constrained health care systems. What constitutes the value of orphan drugs is mainly perceived as empirical and a function of their rarity. The conventional cost-effectiveness (CE) approach analysis implies the use of a CE threshold. The determination of this threshold for orphan drugs is a contrived exercise and can make the pricing decision hard to justify in the eyes of many stakeholders, notably clinicians and patients. In this conceptual research, we explore the use of a value-based pricing mathematical function to link the incremental value brought by innovative orphan drugs to their prices. This function depicts the incremental value-based price (Y-axis) against the incremental value (X-axis). Value is holistically considered and embraces multiple clinical, humanistic and societal criteria that can be weighted by stakeholders (clinicians, patients, caregivers and payers). The incremental value is thus assessed throughout multi-criteria decision analysis (MCDA) and is finally embodied into a unified value score. The value-based price is expressed as a function of this value score. The exact shape of this value-based pricing function is obviously unknown. However, we stipulate that it has to satisfy two necessary conditions: 1) growing, and 2) bounded by the maximum willingness-to-pay (WTP) for the ultimate achievable incremental value (e.g. cure of the disease). We compare two functional forms: linear and sigmoid and we debate multiple WTP scenarios and perspectives. Finally, we conclude that this simple and transparent mathematical approach might prove useful to inform value-based pricing. When combined with MCDA, the approach makes more explicit the relevant value determinants and incorporates these determinants in a more holistic value and pricing framework for rare disease treatments. Empirical works, however, are needed to further substantiate the approach in the eyes of decision makers.

PHP103

VALUE BASED PRICING IN THE UNITED KINGDOM - LET US PREPARE FOR IT !

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OBJECTIVES: The importance given to different domains of decisions differ by markets around the world. The research is aimed to analyse how perspectives on value assessment of pharmaceuticals or device interventions vary across markets and how it is likely to be implemented in the United Kingdom. The research also analysed how products at launch increase the chances of approval, shorten time to reimbursement and remain competitive within the value based pricing agenda. **METHODS:** The research was conducted through indepth secondary research and interviews with stakeholders in the United Kingdom and selected markets (Australia, Sweden and The Netherlands) **RESULTS:** The research indicated that most countries, other than those that use international price referencing for setting prices use some form of value assessment method before fixing the reimbursement level and price of the product. The decisions are predominantly based on level of unmet needs, severity of diseases, level of innovation, clinical differentiation of the new product against its comparators and how well the product finds its natural place in the treatment pathway. Many forward regions claim to use value based assessments to set the price of new launches, most operate within boundaries. In principal value based pricing should not be fenced with limitations such as cost/QaLY thresholds, budget impact and price-volume agreements. In real life, however, financial impact becomes one of the key influencing factors and is expected to dominate in the near future too. **CONCLUSIONS:** It is difficult to assess the true value of a product at launch and it is difficult for both, the health authorities who have limited budgets and pharmaceutical industry which spends enormous amounts to bring products to market. VBP, however, could be the most suitable solution for the UK. If successful international markets may adopt it or refer to UK recommendations on new launches for their respective decisions.

PHP104

POTENTIAL IMPLICATIONS OF NATIONAL DISEASE REGISTRIES AND CENTERS OF EXCELLENCE FOR ORPHAN DISEASES FOR PHARMACEUTICAL MANUFACTURERS DEVELOPING ORPHAN DRUGS

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BACKGROUND: Recent recommendations from the EU commission have given countries the responsibility to develop national strategies for rare diseases, including plans for inventorying of rare diseases and development of centers of excellence (CoE). In France, patients are required to consult or obtain their prescription from a CoE in order for reimbursement of orphan drugs to be granted. As CoE and rare disease registries are developed throughout the EU member states, increased awareness, education, and data collection will lead to better management of orphan diseases, monitoring of long-term outcomes and cost and opportunities for